



Policy and Resources Committee

Date:	Wednesday, 18 January 2023
Time:	6.00 p.m.
Venue:	Committee Room 1 - Wallasey Town Hall

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SUPPLEMENT

6. **REPORT OF THE INDEPENDENT ASSURANCE PANEL (Pages 1 - 4)**

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Independent Assurance Panel report to Wirral Council

January 2023

Our last report to the Full Council was in June 2022. A subsequent letter was sent from the Panel Chair to the Council on 7 December 2022 to indicate the further progress required on the budget setting for 2023/24 given that, at that point, the national settlement had not been made and the council had not completed the process of identifying the level of financial reductions or income generation required to deliver a balanced budget for 2023/24. The update should be read in conjunction with the letter.

Firstly, the panel reconfirms the view that the council has made significant progress in its governance. The panel is also reassured to see the appointment of a new Section 151 officer (and as a consequence, the strengthening of the council's financial capacity) and a new monitoring officer who will be able to work with the council's political leadership and Chief Executive to continue to strengthen the council's overall governance. However, it remains a fact that the council is in no overall control and has also adopted the committee system which, though well-liked by some Councillors, does slow down decision-making. This results in the setting of the budget being much more difficult than in other councils with neither of these features. It is therefore essential that all parties work together over the next month to negotiate and then deliver a balanced budget for 2023/24 and start to make the necessary service reductions before the pre-election period fully takes hold.

The panel has no doubt that with all out elections, even if the council remains in no overall control that it should be easier to decide the requisite level of budget savings for the two years following the election and strongly recommends that a new Medium Term Financial Strategy (MTFS) is put in place and agreed in summer 2023 following the outcome of the elections.

Since writing our letter in December 2022, Officers and Members have worked conscientiously with Councillors of all parties and have proposed a legal and balanced budget for 2023/24 albeit requiring the substantial use of earmarked reserves. However, this does not mean that a budget has been set and, as with any budget that proposes reductions of such a very large scale, it presents risks.

The level of savings required for 2023/24 are £38.4m minus the improved settlement figure of £6.3m. This totals £32.1m.

Work undertaken in the summer and autumn identified savings in two separate tranches which now amounts to £21.9m. There are also recently suggested proposals in a third tranche presented by officers to close this gap and they amount to £17.93m. This gives Members some choice though an over achievement of £7.73m meaning that they can either take all the proposals and place more in contingency, take out some savings which are not politically acceptable or reduce the use of earmarked reserves (which will help future years budgets). Members are in the process of discussing these proposals and will need to resolve their position speedily in order for the budget to be able to be set by the Full Council in late February following the consideration of the results of the recently concluded public consultation.

With regards to the major risks that the panel can foresee they are as follows:

The first risk that presents is that of reserves. The forecast level of unallocated general reserve at 31 March 2022 is £13.1m. This is a low level of general unallocated reserve and below the level of the council's own target of £17m as well as being below that

recommended by the council's external auditor in their 2021/22 Audit report. Furthermore, the savings in tranche 3 include one off savings of over £1m, use of allocated reserves to the level of £4m (these coming from business rates and insurance reserves) with a further £6m to offset the cost of severance packages and redundancies. If fully utilised, this will reduce the amount of available unallocated reserves to £3m. Additionally, the use of reserves is effectively a one off and the part supporting the revenue budget will need to subsequently be found as a recurrent saving and sufficiently replenished during the year to provide a resource for any one-off costs including redundancies in the MTFS. The MTFS will also have to provide resources to continue to build the level of General Reserves to an acceptable level adding further pressure to the need to identify savings.

The second risk is that £4.4m of the tranche 2 and 3 savings are entirely dependent upon the council choosing to close all non-statutory leisure provision. Clearly this will not be politically acceptable and therefore any savings arising from these proposals will reduce according to the level of closures that members agree. The actual figure will need to be determined with haste in order that the budget can be balanced, and the necessary service changes put in place.

The third risk is the application of a vacancy factor and other adjustments to the pay budget. This in itself is relatively easy to control and a vacancy factor of 1.75% is not unreasonable. However, it should be noted that these very same savings have been used in recent years to balance off in year over spends. Therefore, in taking these savings it will be critical for Directorates to ensure that they fastidiously control spending from 1 April 2023 including on agency staffing and that in year budgets are rigorously monitored and enforced. This will particularly be essential in children social care and adult social care where the cost of care packages and increased demand together with the essential use of some agency staffing make the control of budgets extremely difficult.

The final risk relates to the setting of council tax levels. The proposals from officers in tranche 3 includes the additional increases allowed by the government in the autumn statement. The panel understands this is an acutely political decision but also notes that by raising the council tax this will in itself improve the budget position for 2024/25 and subsequent years.

One final matter of which the council is aware is the outstanding external audit report for 2021/22 which is due imminently. The previous year's report drew attention to the need to increase general reserves and the provision for business rates appeals. At this stage the draft of the audit report has not been received by officers and it may raise similar issues which need to be addressed in either the current year or next. We understand that officers do not anticipate any such comments to be in the report when it is received but it is a concern that the Auditors have been unable to complete their work on the prior year before the following years budget has been set.

In short, the Independent Assurance Panel accepts that officers have now presented to members options that will enable a balanced and legal budget to be set although we are very concerned that it adds to the pressures that will need to be addressed in the MTFS. As such we are reassured that the budget setting process has been undertaken diligently. As stated earlier we do recognise the greater complexity and the longer time taken to get to the position given a council in no overall control and operation of the committee system. However, some of the tranche 3 savings introduce additional risks to the actual delivery of a balanced budget during the year and results in a level of useable reserves which falls below the council's own target. The new council, once elected, will need therefore to prioritise MTFS and resolving outstanding budgetary issues.

Independent Panel

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